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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/840,583	04/23/2001	Kenneth Kiron	3001 P 015	4046

7590

07/24/2006

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EXAMINER

HARBECK, TIMOTHY M

ART UNIT

PAPER NUMBER

3628

DATE MAILED: 07/24/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No. 09/840,583	Applicant(s) KIRON ET AL.	
	Examiner Timothy M. Harbeck	Art Unit 3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 02 May 2006.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 53 and 90-149 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 53 and 90-149 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 53, 99-106, 116, 126, 136, 146-149 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lux ("Second Generation Spiders at Amex Already in Works." The Investment Dealers' Digest: IDD. New York: Feb 15, 1993. Vol.59, Iss. 7: pg 12, 1 pgs) in view of applicants admitted prior art (specification page 2, line 15-page 4, line 22).

Re Claim 53: Lux discloses a stock basket product, Spiders, comprising

- Separating a group of shares into a subgroup that satisfies an investment objective (track the performance of the S&P 500)
- Creating an exchange traded fund having a number of outstanding shares and having a portfolio comprising of the shares within the subgroup (Spiders are exchange traded under the symbol SPY)
- Trading the outstanding shares of the exchange traded fund on an exchange at a real time determined price related to the shares comprising the subgroup ("Spiders have been among the most active stocks on the AMEX")

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- Outputting an indication of the real time determined price in a humanly readable format (tickers)

Lux does not explicitly disclose the step wherein the group of shares in said subgroup is a group of mutual fund shares. Applicant has disclosed as prior art that “in 1992 a large investment banking house created and became the market maker for a basket of stocks which attempted to replicate the performance of a few select open end sector funds, a basket that was traded intra-day on the Over the Counter Market (Specification page 3, lines 6-20). It would have been obvious to anyone skilled in the ordinary art at the time of invention to adapt the system and method of Lux to create a basket product of mutual funds because such “funds of funds” provide instant diversification amongst a variety of mutual funds and had previously been attempted.

Re Claim 99: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of listing the outstanding shares on an exchange, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. As Lux notes, spiders are traded on the American Stock Exchange, which routinely lists the outstanding shares of securities traded to provide participants with an even more transparent view of the market.

Re Claim 100: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of listing on an exchange a derivative having a price related to the real time determined price, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do

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with any traded security. Such derivatives include options and futures and were widely used in securities markets.

Re Claim 101: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of calculating the overall position of shareholders of the outstanding shares, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Commonly calculated figures such as the market cap of a security, issued by exchanges describe such a position.

Re Claim 102: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of electronically trading the outstanding shares this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Electronic trading provides added liquidity with respect to the security.

Re Claim 103: Lux discloses a stock basket product, Spiders, comprising

- An exchange traded fund having a portfolio comprising shares that satisfy an investment objective
- Trading the outstanding shares of the exchange traded fund on an exchange at a price related to the price of the shares within the portfolio
- Displaying in real time the price that the outstanding shares were traded on the exchange

Lux does not explicitly disclose wherein the shares are mutual fund shares and wherein the shares within the portfolio are weighted. Applicant has disclosed as prior art that "in 1992 a large investment banking house created and became the market maker for a basket of stocks which attempted to replicate the performance of a few select open end sector funds, a basket that was traded intra-day on the Over the Counter Market (Specification page 3, lines 6-20). It would have been obvious to anyone skilled in the ordinary art at the time of invention to adapt the system and method of Lux to create a basket product of mutual funds because such "funds of funds" provide instant diversification amongst a variety of mutual funds and had previously been attempted.

Furthermore while not explicitly disclosing wherein the shares within the portfolio are weighted, this would be obvious to anyone skilled in the ordinary art at the time of invention. A security designed to track the performance of an index, such as the Spiders disclosed, seeks to incorporate a number of different securities that make up the index. Obviously certain securities make up a larger part of the index than others, so in order to more accurately replicate the movements of the index, these shares need to carry more weight than others.

Re Claim 104: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of listing on an exchange a derivative having a price related to the real time determined price, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do

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with any traded security. Such derivatives include options and futures and were widely used in securities markets.

Re Claim 105: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of calculating the overall position of shareholders of the outstanding shares, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Commonly calculated figures such as the market cap of a security, issued by exchanges describe such a position.

Re Claim 106: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of electronically trading the outstanding shares this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Electronic trading provides added liquidity with respect to the security.

Re Claim 116: Further fund claim would have been obvious to perform previously rejected method claim 103 and is therefore rejected using the same art and rationale.

Re Claim 126: The method of buying and selling the outstanding shares of an exchange-traded fund would have been obvious from previously rejected method claim 103 and is therefore rejected using the same art and rationale. The purpose of creating an exchange-traded fund would be to buy and sell the fund (hence exchange-traded). Without trading the fund, the fund serves no useful purpose.

Re Claim 136: The method of listing on an exchange outstanding shares of an exchange-traded fund would have been obvious from previously rejected method claim 103 and is therefore rejected using the same art and rationale. The purpose of creating an exchange-traded fund would be to buy and sell the fund (hence exchange-traded). The fund would therefore have to be listed on an exchange in order for participants to trade the shares. Without trading the fund, the fund serves no useful purpose.

Re Claim 146: The method of listing on an exchange outstanding shares of an exchange-traded fund having a portfolio comprising of mutual fund shares registered within a country would have been obvious from previously rejected method claim 103 and is therefore rejected using the same art and rationale. The purpose of creating an exchange-traded fund would be to buy and sell the fund (hence exchange-traded). The fund would therefore have to be listed on an exchange in order for participants to trade the shares. Without trading the fund, the fund serves no useful purpose. Furthermore the fact that the mutual fund shares are registered within a country would have been obvious because traded shares must be registered within a country in order to be regulated and monitored properly.

Re Claim 147: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of listing on an exchange a derivative having a price related to the real time determined price, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Such derivatives include options and futures and were widely used in securities markets.

Re Claim 148: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of calculating the overall position of shareholders of the outstanding shares, this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Commonly calculated figures such as the market cap of a security, issued by exchanges describe such a position.

Re Claim 149: Lux in view of applicants admitted prior art discloses the claimed method supra and while not explicitly disclosing the step of electronically trading the outstanding shares this is a common practice, well known and obvious to anyone with an ordinary level of skill in the art to do with any traded security. Electronic trading provides added liquidity with respect to the security.

Claims 90-98, 107-115, 117-125, 127-135, 137-145 rejected under 35 U.S.C. 103(a) as being unpatentable over Lux in view of applicants admitted prior art as applied to claims 53, 103, 116, 126, and 136 above, and further in view of Hazley ("There's a mutual fund strategy for every investment goal." The Ottawa Citizen. Ottawa, Ont.: Feb 11, 1991. pg. C.1.).

Re Claims 90-98: Lux in view of applicants admitted prior art discloses the claimed method supra but does not explicitly disclose wherein the investment objective includes, aggressive growth, growth and income, growth, income, investing within a sector, includes equity, small companies, government bonds or bonds.

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Hazley discloses, "mutual funds can handle virtually any investment objective – safety, income or growth." It would have been obvious to anyone skilled in the ordinary art at the time of invention to include the investment objectives as disclosed by Hazley to the method and system of Lux in view of applicants admitted prior art because they were commonly known and widely used investment objectives, for investing in mutual funds.

Re Claims 107-115: Lux in view of applicants admitted prior art discloses the claimed method supra but does not explicitly disclose wherein the investment objective includes, aggressive growth, growth and income, growth, income, investing within a sector, includes equity, small companies, government bonds or bonds.

Hazley discloses, "mutual funds can handle virtually any investment objective – safety, income or growth." It would have been obvious to anyone skilled in the ordinary art at the time of invention to include the investment objectives as disclosed by Hazley to the method and system of Lux in view of applicants admitted prior art because they were commonly known and widely used investment objectives, for investing in mutual funds.

Re Claims 117-125: Further fund claims would have been obvious to perform previously rejected method claims 107-115 respectively and are therefore rejected using the same art and rationale.

Re Claims 127-135: Further method claims would have been obvious to perform previously rejected method claims 107-115 respectively and are therefore rejected using the same art and rationale.

Re Claims 137-145: Further method claims would have been obvious to perform previously rejected method claims 107-115 respectively and are therefore rejected using the same art and rationale.

Response to Arguments

Applicant's arguments filed 05/02/2006 have been fully considered but they are not persuasive.

The applicant has argued that the cited references, one of which includes the applicants admitted prior art fails to disclose, "separating a group of mutual funds shares into a subgroup that satisfies an investment objective." In response to applicant's argument that, the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981). In the immediate instance, the applicant discloses, in the background of invention that "In 1992 a large investment banking house created and became the market maker for a basket of stocks which attempted to replicate the performance of a few open end sector funds, a basket that was traded intra-day on the Over the Counter Market (Page 3, lines 6-10)." The Lux reference shows a similar basket, although in this instance the basket is designed to track the performance of the S&P 500 Index, which is a particular investment objective. The examiner maintains that the Lux reference shows all aspects of the claim in question except for the fact that the

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"basket" underlying the exchange traded instrument is representative of a group of mutual funds. The applicants admitted prior art, as previously cited shows that this was done in the years prior to the instant invention. The examiner maintains that a person of ordinary skill in the art, in light of the references, would have been motivated to adapt the system and method of Lux to create a basket product of mutual funds, similar to the basket product for the S&P index, because such "funds of funds" provide instant diversification for a particular portfolio. Diversification is key to mitigate risk, an in providing investors with an opportunity to diversify in one shot (such as by claiming a piece of the entire S&P 500) greatly reduces the effort and potential error in doing so.

In response to applicant's argument that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, the examiner has stated a specific reason, contrary to the applicants claim, as to why a person of ordinary skill would be motivated to produce the present invention from the cited references. Again, this would be to provide users with instant diversification across a variety of mutual funds, or to essentially create a "fund of funds." Diversifying a portfolio was notoriously well known in the art as a means to mitigate risk and was and is standard practice in portfolio management. However it was difficult to do so by selecting a variety

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of individual stocks. Hence the creation of such things as index funds (SPDRs) which allow for a one-stop immediate diversification. Creating this same one-stop diversification for group of mutual funds would allow for further diversification and was, as disclosed by the applicant attempted in previous years.

In response to applicant's argument that the examiner's conclusion of obviousness is based upon improper hindsight reasoning, it must be recognized that any judgment on obviousness is in a sense necessarily a reconstruction based upon hindsight reasoning. But so long as it takes into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, and does not include knowledge gleaned only from the applicant's disclosure, such a reconstruction is proper. See *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).

Conclusion

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of


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the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Souh can be reached on 571-272-6799. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.


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